

**Charter School Facilities Program  
Proposition 51 Funding Round  
Staff Summary Report – January 2018**

<b>Applicant/Obligor:</b>	San Bernardino City Unified School District
<b>Project School:</b>	SOAR Charter Academy
<b>CDS (County – District – School) Code:</b>	36-67876-017192
<b>School Address/Proposed Site:</b>	198 West Mill St. San Bernardino, CA 92408-1402
<b>Type of Project:</b>	New Construction
<b>Type of Apportionment:</b>	Preliminary Apportionment
<b>County:</b>	San Bernardino
<b>District in which Project is Located:</b>	San Bernardino City Unified School District
<b>Charter Authorizer:</b>	San Bernardino City Unified School District
<b>Total OPSC Project Cost:*</b>	\$4,939,832
<b>State Apportionment (50% Project Cost):</b>	\$2,469,916
<b>Lump Sum Contribution:</b>	N/A
<b>Total CSFP Financed Amount:</b>	\$2,469,916
<b>Length of CSFP Funding Agreement:</b>	30 years
<b>Assumed Interest Rate:</b>	3.00%
<b>Estimated Annual CSFP Payment:</b>	\$126,013
<b>First Year of Occupancy of New Project:</b>	2020-21

*\*The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that San Bernardino City Unified School District (“District” or “SBCUSD”) on behalf of SOAR Charter Academy (“School” or “SOAR”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This recommendation, as it relates to Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon San Bernardino City Unified School District, on behalf of SOAR Charter Academy, electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office

of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

**Application Highlights:** Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of San Bernardino City Unified School District on behalf of SOAR Charter Academy. Detailed information is contained in the body of the report.

<b>Criteria</b>	<b>Comments</b>
<b><i>Obligor Information</i></b>	
Demographic Information	SBCUSD currently serves 49,461 students in grades K-Adult. Enrollment in 2018-19 is expected to be 3,162 students. ADA rates are projected to be 94.1%, which staff find reasonable. For 2017-18, the unduplicated pupil count of at Aspire Public Schools as a percentage of ADA is 89%.
Debt Service Coverage	SBCUSD's DSC from Adjusted Net Income is 3710% and 11707% for 2021-22 and 2022-23 respectively. SBCUSD's DSC based on LCFF Sources is 442041% and 452427%
Other Financial Factors	<ul style="list-style-type: none"> <li>• SBCUSD's operating fund has a projected balance of \$63,867,173 as of the end of 2017-18.</li> <li>• SBCUSD's expected annual total of CSFP payments only account for less than 0.1% operating revenue for SBCUSD for 2012-22 and 2022-23 respectively.</li> </ul>
<b><i>School Information</i></b>	
Eligibility Criteria	SOAR has met all eligibility criteria: (1) SOAR began operation in 2008; (2) SOAR's most recent charter was approved December 15, 2017 and is in place through June 2023; (3) SOAR is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	SOAR has performed comparably or slightly worse than its authorizing district and local public schools serving the same grade span.
Demographic Information	SOAR currently serves 463 students in grades K-8. Enrollment in 2018-19 is expected to be 488 students. ADA rates are projected to be 95%, which staff find reasonable. SOAR has an unduplicated pupil population of 76.43%. 10.7% of the student body are English Language Learners. 75.4% qualify for Free and Reduced Price Meals.

**Program Eligibility:** On October 6, 2017, at CSFA staff's request, verification was received from San Bernardino City Unified School District confirming that SOAR Charter Academy (1) is in compliance with the terms of its charter agreements, and (2) in good standing with its chartering authority. SOAR's current charter is effective through June 2023.

**Legal Status Questionnaire:** Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

**Project Description:** The proposed new construction project for the SOAR Academy Charter (located at District's Burbank Elementary School site on 198 W Mill Street San Bernardino CA 92408) is to build a new five new permanent classrooms. The new classrooms will serve the 125 K-6 pupils. Opening date will depend on funding for the project, but is currently planned to be open by academic year 2020-21.

**Obligor Organizational Information:** San Bernardino City Unified School District is a school district located in San Bernardino County and operates 76 schools: 49 elementary schools, ten middle schools, six high schools, three special schools, two continuation high schools, two community day schools, one K-8 grade schools, one middle college, one alternative education schools and an adult education school. SBCUSD also authorizes twelve charter schools: six elementary schools, three k-12 schools, two high schools, and one middle school. The SBCUSD is comprised of the following mix of races/ethnicities: 74.5% Hispanic or Latino; 12.1% African American/Black; 6% Caucasian; 1.4% Asian; and 1.4% Two or More Races. The District has an unduplicated pupil population of 90.51%. 88.9% of students are Socio-Economically Disadvantaged and 28% are English Learners.

The 2017-18 San Bernardino City Unified School District Board of Education consists of President Dr. Margaret Hill, Vice President Abigail Medina, Dr. Barbara Flores, Michael Gallo, Danny Tillman, and Dr. Scott Wyatt. Dale Marsden, Ed.D., is the Superintendent, Dr. Harold Vollkommer is the Deputy Superintendent, and Jayne Christakis is Chief Business Officer. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of the District

**School Organizational Information:** SOAR Charter Academy is a public charter school located within the boundaries of the SCUSD and is authorized by the SBCUSD. SOAR's most recent charter was approved by the Oakland Unified School District on December 15, 2017 and is active through June 30, 2023. The school is a direct-funded independent charter school and constituted as a California public benefit corporation with IRS approved 501(c)(3) status.

SOAR's specific charter focus/theme is character education and community service. SOAR curriculum is part of a program called Leader in Me in which follows the 7 habits from the book 7 Habits of a Highly Effective People. We are a site based school that uses Envision for math and HMH Journeys in our K-6 and for grades 7&8 HMH Literature. Our science curriculum follows NGSS standards. We use Interactive Science for grades 5-8th. Our History curriculum in grades 5-8th is History Alive. Our K-5 uses standards/thematic based history assignments/curriculum. Students will be expected to meet or exceed grade level standards in reading, writing, speaking, math, science, social studies, the arts, and technology. SOAR's belief that all students can and will learn is also assumed by Constructive education theorists and the Integrated Thematic Instructional (ITI) approach developed by Susan Kovalik. Constructive education is based on the belief that learning

occurs as learners are involved in a process of making meaning, rather than passively receiving information. Based on this theory, project-based hands-on learning will occur in all grade levels to encourage students to think for themselves and express and follow-through with their ideas. ITI combines current brain research, effective teaching strategies, and integrated curriculum development. The main tenet of ITI is that learning best occurs when eight elements are present: absence of threat; meaningful content; choices; adequate time; enriched environment; collaboration; immediate feedback; and mastery.

Charter Academy' Board consists of President Tony Beonzi, Dominic Zarecki, Mark Armenta, and Donovan Collier. Trisha Lancaster is the Executive Director and Kristin Kraus is the Director of Finance and Operations. Staff has reviewed the credentials of the key board members and staff and determined them to have the proper background and experience to govern and effectively oversee the operations of the School

**School Academic Performance:** The following tables represent the 2014-15, 2015-16 and 2016-17 academic performance of SOAR, the combined averages of Hardy Brown College Prep, H. Frank Dominquez, and Richardson Prep (Local Schools), and SBCUSD. The results are provided through CDE's CAASPP Smarter Balanced testing data.

#### English Language Arts – Comparison

	Years		
	2014-15	2015-16	2016-17
SOAR	28%	39%	33%
Local Schools	42%	49%	49%
SBCUSD	28%	34%	28%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
SOAR	N/A	Average	Low	N/A	1/5	5/6
Local Schools	N/A	Low; Low; Highest	Average; Average; Highest	N/A	3/3; 4/4; 0/6	0/2; 0/3; 0/5
SBCUSD	N/A	Average	Average	N/A	5/13	1/11

#### Mathematics– Comparison

	Years		
	2014-15	2015-16	2016-17
SOAR	19%	18%	17%
Local Schools	30%	35%	37%
SBCUSD	17%	20%	23%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
SOAR	N/A	Average	Average	N/A	2/5	1/6
Local Schools	N/A	Low; Low; Highest	Average; Low; High	N/A	3/3; 4/4; 0/6	0/2; 3/3; 0/5
SBCUSD	N/A	Average	Average	N/A	4/13	3/13

**Enrollment Trends and Projections:** The tables below present enrollment information for SBCUSD and SOAR from 2013-14 through 2022-23. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

**District-wide Student Enrollment and Average Daily Attendance**

<b><u>SBCUSD</u></b>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enrollment	49,889	50,242	50,211	49,840	49,461	49,214	49,214	49,214
ADA	94.4%	94.5%	94.6%	94.1%	94.1%	94.1%	94.1%	94.1%
	2021-22	2022-23						
Enrollment	49,214	49,214						
ADA	94.1%	94.1%						

**School Student Enrollment and Average Daily Attendance**

<b><u>SOAR</u></b>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enrollment	464	460	464	459	463	488	488	488
ADA	95.7%	93.8%	94.0%	95.0%	95.0%	95.0%	95.0%	95.0%
	2021-22	2022-23						
Enrollment	488	488						
ADA	95.0%	95.0%						

**District Financial Analysis:**

**Financial Data Sources:** This financial analysis is based on the consideration and review of the following for SBCUSD, the financial obligor and Applicant, on behalf of SOAR: (1) audited financial statements for 2013-14 through 2015-16; (2) unaudited actuals for 2016-17; (3) adopted budget for 2017-18; and (4) budget projections for 2018-19 through 2022-23 along with assumptions.

**Assumptions:** SBCUSD's financial projections are based upon the following assumptions: (1) occupancy of the SOAR new construction project in 2020-21; (2) District-wide enrollment projections as provided above under "Enrollment Trends and Projections"; (3) Projected

District-wide ADA rates of 94.1%, which are consistent with historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$10,954 for 2017-18, as included with SBCUSD's adopted budget document for 2017-18; (5) COLA rates applied to LCFF calculations of 1.56% in 2017-18 and 1.13% for 2018-19 through 2022-23; and (6) an unduplicated pupil count of at least 89% for all projected years.

**Long Term Liabilities:** As provided by the 2015-16 audited financial statements, the District has \$355,507,537 in long term debt. The long term liabilities are from the following governmental activities: \$235,866,687 payable in general obligation bonds; \$53,080,000 payable towards certificates of participation; \$20,462,833 payable towards premium on issuance, \$367,746 payable in capitalized lease obligations; \$21,875,911 in net obligated in other post-employment benefits; \$17,062,244 in net claims liability; \$2,109,282 payable towards the School Excess Liability Fund (SELF); \$3,012,235 payable in supplemental early retirement plans; and \$2,056,718 payable in accumulated vacation.

General obligation bond debt is paid from the Bond Interest and Redemption Fund. This fund has a balance of approximately \$14 MM by the end of 2017-18. Payments on the certificates of participation are made from the Capital Facilities Fund for Blended component Units. Capital leases obligations will be paid from the General Fund. The accumulated vacation will be paid by the fund in which the employee is paid from. Claims and SELF assessment are paid by the Internal Service Fund. Supplemental early retirement plan will be paid from the General Fund. Other postemployment benefits are paid by the Internal Service Fund.

**Private Contributions:** SBCUSD does not rely on any private contributions.

**Benchmark Summary and Analysis:** The following table and summary listing sets forth the results of staff's analysis regarding SBCUSD's financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS										
	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
<b>OPERATIONAL &amp; FINANCIAL</b>										
Enrollment	49,889	50,242	50,211	49,840	49,461	49,214	49,214	49,214	49,214	49,214
Average Daily Attendance (ADA)	47,076	47,491	47,499	46,890	46,533	46,300	46,300	46,300	46,300	46,300
Average Daily Attendance (%)	94.4%	94.5%	94.6%	94.1%	94.1%	94.1%	94.1%	94.1%	94.1%	94.1%
LCFF Sources/ADA	\$ 7,410	\$ 8,519	\$ 9,942	\$ 10,706	\$ 10,954	\$ 11,203	\$ 11,342	\$ 11,765	\$ 12,031	\$ 12,314
% Change		15.0%	16.7%	7.7%	2.3%	2.3%	1.2%	3.7%	2.3%	2.3%
Operating Revenues/ADA	\$ 10,486	\$ 11,511	\$ 13,156	\$ 13,801	\$ 14,293	\$ 13,901	\$ 14,047	\$ 14,470	\$ 14,736	\$ 15,018
% Change		9.8%	14.3%	4.9%	3.6%	-2.7%	1.1%	3.0%	1.8%	1.9%
Operating Expenses plus CSFP Lease/ADA	\$ 10,604	\$ 11,603	\$ 12,498	\$ 13,330	\$ 15,080	\$ 14,340	\$ 14,526	\$ 14,490	\$ 14,722	\$ 14,787
% Change		9.4%	7.7%	6.7%	13.1%	-4.9%	1.3%	-0.2%	1.6%	0.4%
Free Cash Flow/ADA	\$ (118)	\$ (92)	\$ 658	\$ 471	\$ (787)	\$ (439)	\$ (479)	\$ (20)	\$ 14	\$ 232

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	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
<b>DEBT SERVICE COVERAGE</b>										
Total Operating Revenues	\$493,654,837	\$546,686,861	\$ 624,891,878	\$ 647,127,319	\$ 665,088,234	\$ 643,608,007	\$650,388,200	\$ 669,973,441	\$ 682,268,223	\$ 695,356,375
Total Operating Expenses	499,194,992	551,040,417	593,626,278	625,049,919	701,723,480	663,934,319	672,562,453	670,893,454	681,490,118	684,500,167
Total Other Sources/Uses	(540,535)	1,946,212	(1,836,874)	(3,163,103)	(1,501,324)	(1,501,324)	(1,501,324)	(1,501,324)	(1,501,324)	(1,501,324)
Net Income Available for CSFP Lease Payment	(6,080,690)	(2,407,344)	29,428,726	18,914,296	(38,136,570)	(21,827,636)	(23,675,577)	(2,421,337)	(723,219)	9,354,884
Add Back Capital Outlay	4,335,361	6,188,913	7,156,329	6,363,063	19,540,639	5,631,994	5,631,993	5,398,353	5,398,353	5,398,353
Add Back Depreciation	-	-	-	-	-	-	-	-	-	-
Adjusted Net Income Available for CSFP Lease Pymt.	(1,745,329)	3,781,569	36,585,055	25,277,360	(18,595,931)	(16,195,642)	(18,043,584)	2,977,016	4,675,134	14,753,237
CSFP Lease Payments	-	-	-	-	-	-	-	-	126,013	126,013
Free Cash Flow	\$ (1,745,329)	\$ 3,781,569	\$ 36,585,055	\$ 25,277,360	\$ (18,595,931)	\$ (16,195,642)	\$ (18,043,584)	\$ 2,977,016	\$ 4,549,121	\$ 14,627,224
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3710.0%	11707.7%
DSC from LCFF Sources subject to CSFA Intercept	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	442041.5%	452427.8%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.018%	0.018%
<b>LIQUIDITY</b>										
Current Assets	\$136,486,195	\$127,130,099	\$ 171,154,156							
Current Liabilities	80,418,130	73,469,378	88,064,709							
Net Working Capital	\$ 56,068,065	\$ 53,660,721	\$ 83,089,447							
Net Working Capital/Oper. Expenses	11.2%	9.7%	14.0%							
Unrestricted Cash & Cash Equivalents	\$ 40,543,998	\$ 92,745,257	\$ 144,623,524							
Unrest. Cash & CE/Oper. Expenses (Days)	30	61	89							
Unrest. Cash & CE/All Expenses (Days)	30	61	89							

**Benchmark Summary:**

- Free Cash Flow/ADA – Not Met: -\$56 avg. (>\$0)
- Free Cash Flow – Met: \$3,321,686 avg. (>\$0)
- Debt Service Coverage from Adjusted Net Income – Met: 3710% and 11707%
- Debt Service Coverage from LCFF Sources – Met: 442041% and 452427%
- Net Working Capital as Portion of Operating Expenses – Met: 11.7% (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Not Met: 60 days (> 90 days)

**Summary of Financial Findings and Special Considerations:** Though projecting negative net adjusted income for 2017-18 through 2019-20, the General Fund's balance averages \$41,423,557 over those three fiscal years. Additionally, SBCUSD averages 11.7% of operating expenses in net working capital from 2013-14 through 2015-16 with an average amount of \$64,272,744. SBCUSD's expected CSFP loan payment accounts for less than 0.1% of the District's operating revenue. These reasons, in addition to meeting debt service coverage from both LCFF sources and net adjusted income, staff determines that's SBCUSD is financial sound for the request CSFP project.

**Strengths, Weaknesses and Mitigants:**

- + SOAR is financially viable based on a review of audited financial statements and projected budgets which staff considers reasonable.
- + SBCUSD general fund balance as of June 30, 2017 is \$102,003,743 with \$27,766,477 in unrestricted funds.
- + SBCUSD's DSC from LCFF sources which are subject to the program's intercept is 442041.5% for 2019-20 and 452427.8% for 2020-21.
- +/- SBCUSD projects its general fund performing at a deficit from 2017-18 through 2021-22 but has an adequate fund balance at the end of all but one of these years

in addition to the additional criteria reviewed listed in “Summary of Financial Findings and Special Considerations”.

**Staff Recommendation** Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that San Bernardino City Unified School District (“District” or “SBCUSD”) on behalf of SOAR Charter Academy (“School” or “SOAR”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This recommendation, as it relates to Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon San Bernardino City Unified School District, on behalf of SOAR Charter Academy, electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.